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UNCLAS SECTION 01 OF 02 YEREVAN 000728

SIPDIS

COMMERCE FOR 3150/PBRADLEY/BSMITH
COMMERCE FOR 4201/ITA/IEP/OEERIS/BISNIS/EHOUSE
EMBASSIES - PLEASE PASS FCS
DEPT FOR EUR/CACEN, EB/CBA
ANKARA ALSO FOR CFC/ SNYDER/BALLINGER
PASS TDA-STEIN, OPIC, EXIM-TUMMINIA/PANARO

E.O. 12958: N/A

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SUBJECT: (IMI) ARMENIA, COMMERCIAL NEWS SUMMARY:
APRIL 2005

SUMMARY

1. This cable outlines press reporting on commercial developments in Armenia for April 2005. Major headlines include:

-- EBRD to double its project-financing program in Armenia during 2005;

-- Japan finances modernization of the Yerevan Thermal Power Plant;

-- Germany to lend 7.5 million euros for the development of Armenia's renewable energy;

-- The Export-Import Bank of the United States expands support to Armenia;

-- Germany's Bayerische Landesbank to fund an upgrade of an Armenia-based foil mill; and

-- Armenia's 2004 foreign investment figures.
End Summary.

EBRD TO DOUBLE FINANCING IN ARMENIA DURING 2005

2. The European Bank for Reconstruction and Development (EBRD) will double its project-financing program to 15 million euros in 2005, according to the EBRD regional director. The EBRD plans to sign 12 contracts with local private sector companies involved in the energy, industrial, agricultural and banking sectors.

JAPAN FINANCES MODERNIZATION OF YEREVAN POWER PLANT

3. The Government of Japan will provide a USD 150 million loan to Armenia to build a new unit at the Yerevan Thermal Power Plant. The loan, repayable over 40 years, will finance the purchase of machinery and equipment, construction work and consulting services. The Japan Bank for International Cooperation will oversee the entire process. The Government of Armenia expects that by 2009 the new gas-fired facility will replace the aging Yerevan Thermal Power Plant that currently produces a large part of Armenian electricity.

GERMANY TO LEND 7.5 MILLION EUROS FOR RENEWABLE ENERGY

4. Germany will provide 7.5 million euros in loans to help develop Armenia's renewable energy. According to the Armenian Ministry of Finance and Economy, over the next two years, Germany will provide 6 million euros to finance the modernization of small hydro power plants, and 1.5 million euros to finance consulting and training services. The agreement also envisages a German-Armenian investment fund to finance Armenia's small Hydro Power Plants through local commercial banks.

U.S. EXPORT-IMPORT BANK EXTENDS SUPPORT TO ARMENIA

5. The Export-Import Bank of the United States (Ex-Im Bank) announced the extension of its loan guarantee, export credit insurance and direct loan programs to Armenia. The Bank adopted changes to its policy in Armenia, effective March 25, 2005, based on risk rating

changes made by the U.S. Interagency Country Risk Assessment System (ICRAS). Ex-Im Bank is now available in Armenia for short- and medium-term programs in the public sector.

GERMAN BANK TO FUND UPGRADE OF ARMENIA-BASED FOIL MILL

16. Germany's Bayerische Landesbank lent Russia's leading aluminum producer RUSAL 46.6 million euros to finance an upgrade of the RUSAL Armenal Foil Mill, a Yerevan-based subsidiary of RUSAL. RUSAL and German export loan agency Euler Hermes are the guarantors of the loan. In October 2004, RUSAL signed an agreement with German rolling mill manufacturer Achenbach to commence Armenal's upgrade. The first stage of the upgrade project is expected to be complete by autumn 2005. The total investment in the mill's upgrade is expected to be 70 million euros.

ARMENIA'S 2004 FOREIGN INVESTMENT FIGURES

17. According to the Armenian Ministry of Trade and Economic Development the total amount of foreign investments in Armenia in 2004 grew by 17.9 percent to USD 467.8 million. Foreign direct investment in 2004 increased by 47.7 percent to USD 226.7 million. Among the largest foreign investors are Greece (USD 75 million), Russia (USD 67 million), Germany (USD 38 million), France (USD 32 million), Argentina (USD 30 million) and the United States (USD 24 million).
EVANS